

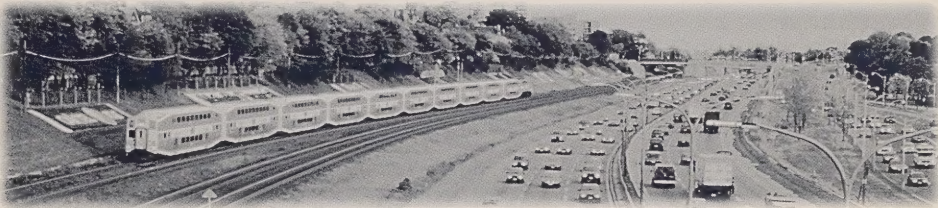
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GO Transit annual report for the calendar year ended December 31, 1998



# At the crossroads



1998



Toronto Area Transit  
Operating Authority



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GO Transit  
Annual report  
1998



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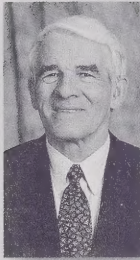


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### Reports in transition

GO Transit is publishing two annual reports this year: one for calendar year 1998 to meet the needs of our new, municipal funding partners; and one for fiscal 1998–99 to be in line with the Province of Ontario's financial reporting year. The fiscal year report will be available in the fall of 1999 once it is tabled in the Ontario Legislature.



## The Board of GO Transit

Clockwise from left:  
Chairman Eldred King, Vice-Chairman Emil Kolb,  
Bill Fisch, Roger Anderson, Mel Lastman, Terry Cooke, Joyce Savoline

## GO Transit at the crossroads

**N**ineteen ninety-eight marked a turning point for GO Transit.

The year started with the most significant change in our history, when the Province of Ontario transferred funding responsibility for GO Transit to the municipalities in exchange for assuming other financial responsibilities from municipal governments. On January 1, 1998, the Greater Toronto Area (GTA) municipalities and the Region of Hamilton-Wentworth began subsidizing all our operating and state-of-good-repair capital costs—the first step in our transition from a Provincial Crown agency into a municipal body.\*

At year end, the transfer continued when the Province passed legislation creating a Greater Toronto Services Board (GTSB), to come into being on January 1, 1999. The new services board, made up of regional chairs, mayors, and councillors, is intended to promote and facilitate coordinated decision-making among the municipalities in this area, and to exercise general direction and control over GO Transit. We expect our transfer to the municipal sector to be completed in the summer of 1999, when GO becomes the Greater Toronto Transit Authority under the GTSB. The GO Transit Board will still exist, though, and will include, as it does now, the Chairs of the GTA regions and the Mayor of the City of Toronto, or their designates.

Despite such a fundamental change, and the length of the transition, it has been business as usual at GO Transit. These funding and governance changes have all taken place behind the scenes, leaving no impact on our passengers.

In fact, we flourished. We set a ridership high, carrying nearly 36 million passengers on our service during the year. We recovered a record 84.4 percent of our operating costs through revenue, one of the best financial performances for a transit system anywhere in the world.\*\*

And for our main stakeholders—the customers who pay to ride our trains and buses, and the municipalities that are our new funding partners—1998 brought substantial improvements in service.

Several train and bus services were significantly enhanced to meet specific market demands: We tripled the number of rush-hour express trains in our schedule by adding new express trips and also converting some local trains into express runs. We doubled frequency on the rush-hour Bradford line by adding a second train in September; within three months, ridership on this line had increased by 45 percent. Bus service was extended from Oshawa to Newcastle in September, and at year end we were poised to launch several other new bus routes in January 1999 to fill in some gaps in the outer reaches of our service area.

During the year, we aggressively expanded our fastest-growing service, our Union Station buses, to meet passenger needs for service when the trains are not running. Nicknamed “train-buses,” they connect downtown Toronto’s Union Station with other train stations to provide convenient travel options at off-peak times—in the early morning before the trains start running, as well as during midday, in the evening, late at night, and on weekends. Train-bus service started out with only a handful of trips in 1989 and now operates more than 150 buses every weekday out of Union Station. In 1998 alone, ridership on this service increased by 27 percent over the previous year’s carryings.

We placed an order for 20 new highway buses, which will be our first buses with wheelchair lifts; when they enter passenger service in the summer of 1999, these buses will let us begin offering accessible bus service gradually in our network.

We made significant progress tackling the Y2K issue to prepare our computer systems and applications for the year 2000. Our enterprise-wide Y2K program continued its work, closely monitored by senior management and reporting regularly to the Board. The program addresses all our computer applications to ensure that they will function properly after 1999; it also encompasses our contractual commitments with external suppliers of goods and services to determine that they are taking appropriate action to make their own computer systems Y2K-compliant. We do not foresee any major disruption to the services we provide. The safe operation of service for passengers is our top priority, and we will continue testing our systems through 1999 to ensure that everything will keep running smoothly and safely come January 1, 2000.

All these accomplishments were, of course, a very positive performance for our stakeholders. Outstanding, however, are some major issues facing transit in this area, issues which, if left unresolved, would have a major effect on everyone in the entire region.

Chief among these are a stable source of funding for transit, and a transportation vision for the Greater Toronto Area and Hamilton-Wentworth. Without them, the area's traffic congestion will only worsen, jamming our roads and highways in complete gridlock.

To continue to provide reliable, convenient service for our passengers, we must invest in the future. The municipal property tax base, however, cannot support the capital financing required to expand transit systems. Therefore, new funding sources *must* be explored, including dedicated funds for public transit and partnerships among all levels of government. The Federal and Provincial governments *must* support public transit financially—as they do in

other provinces across Canada—if the Toronto and Hamilton area is to maintain its quality of life and economic health.

We worked closely with our municipal partners on this issue, and at year's end a joint Transportation Funding Opportunities Task Force had nearly finished investigating ways and means to secure a stable investment for our transportation services and infrastructure. The task force estimated that to keep pace with increasing demands, this area's transportation systems (including local roads and transit as well as GO) will need \$800 million more per year than the funding currently allocated to these systems.

The task force is expected to deliver its report in mid-1999 and to recommend additional revenue sources for transportation, including transit, such as a share of the gasoline taxes collected by the Federal and Provincial governments. Without such dedicated capital funds, our transportation systems will not be able to support this area's future growth.

In our Year 2021 Plan, we have also identified clearly the capital investment GO Transit needs in the next two decades—about \$1.1 billion—to handle the near-doubling of train ridership that is forecast for that period. But even with such investment in GO, only part of the gridlock problem would be solved.

GO Trains, given the proper investment and expansion, can play a vital role because they bring many people from many places to a concentrated destination, downtown Toronto. In the communities surrounding Toronto, however, where many travel destinations are scattered across a wide area, the solution is not simply money. For transit to serve the growing markets outside downtown Toronto, interregional buses—GO Bus service—must be given priority if they are to have any competitive edge over the

automobile. The municipalities and the Province must extend high-occupancy vehicle (HOV) lanes and busways for transit priority across the entire region so that GO Buses can also play a major role in this area's transportation future.

To achieve this, a comprehensive transportation vision is essential for the entire area, ensuring a balanced mix of cars and transit. We urge the new Greater Toronto Services Board to

give this issue its top priority and turn the vision into reality.

We thank the Province of Ontario for all its past cooperation, and urge it to give public transit the support it deserves. And we look forward to working with our new funding partners, the Greater Toronto Area municipalities and Hamilton-Wentworth, to meet the challenges of the future.

Eldred R. King, Chairman

Richard C. Ducharme, Managing Director



\* GO Transit's annual subsidy requirement is now funded by the municipalities in the Greater Toronto Area (GTA): the City of Toronto, the Regions of Halton, Peel, York, and Durham, and the neighbouring Region of Hamilton-Wentworth.

\*\*GO Transit's cost-recovery rate is calculated on the same basis as those of other municipal transit systems.

## Objectives

The Toronto Area Transit Operating Authority (GO Transit) is a Crown Agency established to:

Design and operate interregional transit for people whose travel takes them through more than one regional municipality;

And encourage convenient and efficient meshing of the transit systems operating in the Greater Toronto Area and interfacing with the GO Transit network.

## Service area

GO Transit's service area, defined by legislation, covers the Regional Municipalities of Durham, York, Peel, Halton, and Hamilton-Wentworth, and the City of Toronto.

## Board

GO Transit's Board comprises seven Members: the Chairman, appointed by the Lieutenant Governor in Council, and, ex officio, the Chairs of the Councils of Durham, York, Peel, Halton, and Hamilton-Wentworth, and the Mayor of the City of Toronto.

It reports to Cabinet through the Minister of Transportation.

## Minister

*The Honourable Tony Clement*, Minister of Transportation

## Board Members

*Eldred R. King*, Chairman

*Emil Kolb*, Vice-Chairman  
Chairman, Council of the  
Regional Municipality of Peel

*Roger Anderson*, Chairman, Council of the  
Regional Municipality of Durham

*Terry Cooke*, Chairman, Council of the  
Regional Municipality of Hamilton-Wentworth

*Bill Fisch*, Chairman, Council of the  
Regional Municipality of York

*Mel Lastman*, Mayor, Corporation of the  
City of Toronto

*Joyce Savoline*, Chair, Council of the  
Regional Municipality of Halton

## Officers & Executive

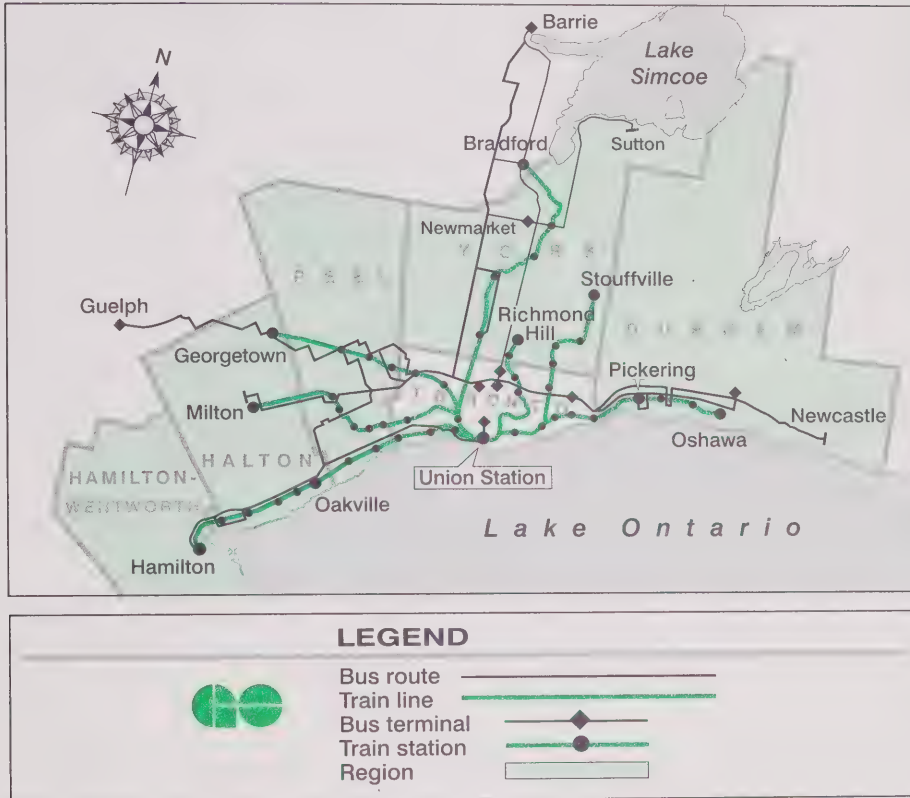
*Eldred R. King*, Chairman

*Richard C. Ducharme*, Managing Director

*Jean M. Norman*, Director, Administration  
Secretary to the Board

*Frances Chung*, Director, Finance and Marketing  
Treasurer to the Board

## The GO Train and GO Bus network at December 31, 1998



## Statistics

Corridor	Passenger trips		
	1998	1997	% change
<b>Train and related bus*</b>			
Lakeshore West	10,990,000	10,566,000	+4.0
Milton	3,805,000	3,429,000	+11.0
Georgetown	2,477,500	2,292,500	+8.1
Bradford	586,000	488,500	+20.0
Richmond Hill	1,408,500	1,265,000	+11.3
Stouffville	762,500	674,500	+13.0
Lakeshore East	8,898,000	8,614,000	+3.3
<b>Subtotal</b>	<b>28,927,500</b>	<b>27,329,500</b>	<b>+5.8</b>
<b>Bus</b>			
Hamilton	994,900	1,012,900	-1.8
Milton	164,000	168,000	-2.4
Georgetown	1,072,500	1,089,000	-1.5
Newmarket	1,279,500	1,253,500	+2.1
Richmond Hill	2,260,500	2,318,000	-2.5
Oshawa	1,248,300	1,250,000	-0.1
<b>Subtotal</b>	<b>7,019,700</b>	<b>7,091,400</b>	<b>-1.0</b>
<b>System total</b>	<b>35,947,200</b>	<b>34,420,900</b>	<b>+4.4</b>
Paramount Canada's Wonderland contract bus service	217,500	206,000	+5.6

\* Related bus service consists of buses that meet the trains at terminus stations, and buses that connect Union Station with other train stations.

## Management's responsibility for financial statements

The accompanying financial statements of the Toronto Area Transit Operating Authority, and all information in this annual report, are the responsibility of management and have been approved by Members of the Board.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgements. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

The management of the Authority, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes the internal

accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies which govern business conduct.

The Board carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting solely of Board Members. The audit committee reviews the Authority's annual financial statements and recommends their approval by the Board. The auditors have full access to the audit committee, with and without management being present. These financial statements have been audited by the auditors, PricewaterhouseCoopers LLP, Chartered Accountants, and their report is presented here.

Eldred R. King, Chairman

## Auditors' report

To the Members of the Board of the  
Toronto Area Transit Operating Authority

We have audited the balance sheet of Toronto Area Transit Operating Authority as at December 31, 1998 and the statements of equity, operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the

financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP  
Chartered Accountants  
Toronto, Ontario, March 24, 1999  
(except for note 13, which is at March 31, 1999)

Toronto Area Transit Operating Authority  
**Balance sheet as at December 31**  
(In thousands of dollars)

	Assets	1998	1997 (unaudited)
<b>Current assets</b>			
Cash and cash equivalents	\$	90,045	\$ 47,227
Accounts receivable		1,736	2,536
Deposit with Canadian National Railway Company		7,021	7,025
Due from the Province of Ontario – interest on long-term debt		18,282	18,060
Spare parts and supplies		1,318	1,286
Prepaid expenses		1,356	1,206
		119,758	77,340
<b>Capital assets (note 3)</b>		610,132	628,892
<b>Locomotives and other railway rolling stock, pledged as collateral – net of amortization of \$196,640 (1997 – \$174,832) (note 4)</b>		282,600	296,297
		892,732	925,189
		\$ 1,012,490	\$ 1,002,529
	<b>Liabilities</b>		
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	\$	56,840	\$ 57,628
Unearned revenue in respect of tickets sold and not used		1,932	1,652
Interest on long-term debt		18,282	18,060
		77,054	77,340
<b>Long-term debt (note 4)</b>		439,892	436,700
<b>Contingencies (notes 1 and 10)</b>			
	<b>Equity</b>		
<b>Province of Ontario</b>		452,840	488,489
<b>Funding surplus (note 12)</b>		42,704	—
		\$ 1,012,490	\$ 1,002,529

For the year ended December 31

## Statement of equity

(In thousands of dollars)

	1998	1997 (unaudited)
<b>Capital asset equity—Beginning of year</b>	\$ 493,659	\$ 506,559
Capital contributions from the Province of Ontario	—	62,768
Capital contributions from the City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton-Wentworth for capital assets	39,119	—
Less: Amortization of capital contributions	(67,719)	(65,785)
Book value of assets disposed	(3,857)	(9,883)
<b>Capital asset equity—End of year</b>	461,202	493,659
<b>Equity contribution from the Province of Ontario for long term debt</b>	(7,584)	(5,402)
<b>Cumulative amortization of foreign exchange gains (losses) on long-term debt</b>	(778)	232
<b>Equity—End of year</b>	\$ 452,840	\$ 488,489

For the year ended December 31

## Statement of operations

(In thousands of dollars)

	1998	1997 (unaudited)
<b>Revenue</b>		
Passenger service	\$ 117,704	\$ 108,988
Sundry revenue (note 6)	6,877	6,868
Gain (loss) on sale of capital assets	7,612	(2,278)
	132,193	113,578
<b>Expenses</b>		
Labour and administration (note 8)	50,549	55,748
Contract expiration (note 9)	—	18,659
Services	7,879	6,339
Supplies	822	634
Facility maintenance	23,340	23,596
Equipment maintenance	27,672	33,781
Operations	50,318	60,692
	160,580	199,449
<b>Loss from operations before the undernoted</b>	28,387	85,871
Amortization of capital assets	67,719	65,785
Amortization of deferred foreign exchange loss on long-term debt	998	39
Interest on long-term debt	36,098	35,826
<b>Loss before subsidies</b>	133,202	187,521
<b>Subsidies</b>		
Province of Ontario		
Operating	—	85,871
Interest on long-term debt	32,906	34,703
The City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton-Wentworth		
Operating	71,091	—
<b>Loss for the year</b>	\$ 29,205	\$ 66,947

For the year ended December 31

## Statement of changes in financial position

(In thousands of dollars)

	1998	1997 (unaudited)
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Loss for the year	\$ (29,205)	\$ (66,947)
Non-cash items		
Amortization of capital assets	67,719	65,785
Amortization of deferred foreign exchange loss (gain)	998	39
(Gain) loss on sale of capital assets	(7,612)	2,278
	31,900	1,155
<b>Net change in non-cash working capital items</b>	114	43,297
	32,014	44,452
<b>Investment activities</b>		
Capital assets additions	(39,119)	(62,768)
Proceeds on capital assets disposals	11,469	7,605
	(27,650)	(55,163)
<b>Financing activities</b>		
Increase in long-term debt	3,192	1,123
Capital asset disposition	(3,857)	(9,883)
Province of Ontario		
Capital contributions	—	62,768
The City of Toronto and the Regional Municipalities of		
Durham, Halton, Peel, York and Hamilton-Wentworth		
Capital contributions	39,119	—
	38,454	54,008
<b>Net increase in cash and cash equivalents</b>	42,818	43,297
<b>Cash and cash equivalents—Beginning of year</b>	47,227	3,930
<b>Cash and cash equivalents—End of year</b>	\$ 90,045	\$ 47,227

For the year ended December 31, 1998

## Notes to financial statements

(In thousands of dollars)

### 1. Funding and Greater Toronto Services Board (GTSB)

Prior to January 1, 1998, the Authority, which operates under the Toronto Area Transit Operating Authority Act (TATOA Act) received subsidies from the Province of Ontario (the Province) for operating and capital funding purposes. Effective January 1, 1998 Schedule E of the Services Improvement Act amended the TATOA Act by transferring the responsibility for the Authority's operating and capital funding to the City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton-Wentworth. In addition, pursuant to a memorandum of understanding dated December 1993 and affirmed by the Deputy Minister of Transportation in a letter dated July 9, 1997, the Province will provide funds to the Authority in a timely manner and in the amounts necessary to enable the Authority to satisfy the long-term debt obligations (1998—\$439,892) and interest (1998—\$36,098) when payments fall due (note 4).

On December 18, 1998, the Province gave Royal Assent to Bill 56, an Act to establish the Greater Toronto Services Board and the Greater Toronto Transit Authority (GTTA) and to amend the TATOA Act. Substantially all of the business and assets of the Authority will be transferred to GTTA for nominal consideration with the exception of the locomotives and other railway rolling stock pledged as collateral which is subject to the Conditional Sale Agreement (long-term debt obligation) described in note 4. GTTA will enter into a lease agreement for these assets and manage the transit business.

GTTA is to be funded by a newly formed Greater Toronto Services Board (GTSB). The GTSB will be funded by the City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and, for GTTA purposes only, Hamilton-Wentworth. The effect, if any, on these financial statements of these arrangements cannot be determined at this time.

These financial statements have been prepared in anticipation of the change in year-end to December 31, with the transfer to GTTA.

### 2. Significant accounting policies

These financial statements are prepared by management in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

#### (a) Spare parts and supplies

Spare parts and supplies are valued at the lower of cost and replacement cost.

#### (b) Capital assets

Capital assets are recorded at cost.

The Authority provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

## 2. Significant accounting policies (cont'd)

### (b) Capital assets (cont'd)

---

Buildings and equipment	
Shelters and ticket booths	5 years
Other buildings	20 years
Locomotives	20 years
Other railway rolling stock	25 years
Buses	12 years
Parking lots	20 years
Sundry	
Furniture and fixtures	12 years
Other	3–5 years
Improvements to railway right of way and railway plant	20 years
Trackwork and installation	20 years
Leasehold improvements	20 years

Viability studies for future expansion represent costs deferred on a project by project basis until the viability of the respective project is determined. When the project is finalized, the costs are amortized based on a specific asset category. If a project is abandoned or the costs are considered to be unrecoverable, the deferred costs are charged to operations in the year the determination is made.

### (c) Commuter services revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the balance sheet as current liabilities.

### (d) Subsidies

Operating subsidies paid by the Province of Ontario, the City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton-Wentworth are reflected in the statement of operations. Gains and losses from the disposition of capital assets are included in operations. Capital contributions are included in equity and reduced by the amortization of capital assets over the useful lives of the related assets. The Province has authorized in 1997 the use of capital contributions for certain types of operating expenses.

### (e) Foreign currency translation

Long-term monetary liabilities are translated to Canadian dollars at rates of exchange in effect at the end of the year. Unrealized exchange gains or losses arising on translation are deferred and amortized over the remaining terms of the liabilities.

### (f) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include funding, the recovery of capital assets, unearned revenue, amortization of capital assets and contingencies. Actual results could differ from those estimates.

### (g) Financial instruments

The carrying amounts for cash and cash equivalents, accounts receivable, deposits and other receivables, accounts payable and accrued liabilities on the balance sheet approximate fair value

## 2. Significant accounting policies (cont'd)

### (g) Financial instruments (cont'd)

because of the limited term of these instruments. Due to the nature of long-term debt, it is not practicable to establish a fair value due to the unique nature of this transaction. The principal characteristics of this transaction are set forth in note 4.

Fair value estimates are made at the balance sheet date, which are based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

## 3. Capital assets

			1998	1997 (unaudited)
	Cost	Accumulated amortization	Net	Net
Land	\$ 110,053	\$ —	\$ 110,053	\$ 105,663
Buildings	225,528	85,078	140,450	139,134
Leasehold improvements	22,594	7,525	15,069	13,007
Locomotives and other railway rolling stock	84,012	40,907	43,105	39,189
Improvements to railway right-of-way and railway plant	390,050	202,890	187,160	196,467
Trackwork and installation	57,585	28,939	28,646	29,346
Construction in progress	11,695	—	11,695	42,380
Buses	56,388	34,685	21,703	17,102
Parking lots	68,044	23,916	44,128	40,250
Sundry	54,566	46,443	8,123	6,354
	\$ 1,080,515	\$ 470,383	\$ 610,132	\$ 628,892

The Authority capitalizes engineering payroll costs where time has been spent on particular capital projects. The amount capitalized for year ended December 31, 1998 was \$975 (1997—\$935).

## 4. Long-term debt

At the request of the Ontario Minister of Finance, the Authority entered into a financing transaction on March 31, 1994. Under the terms of the transaction, forty-two of the locomotives and two hundred and forty-three bi-level cars were sold for \$431,530 (US\$311,867) and immediately repurchased from the same counterparty at the same price under conditional sales contracts maturing on July 1, 2006. The proceeds from the sales were returned to the Province of Ontario net of transaction costs of \$4,271. The transaction has been accounted for as a collateralized financing. The debt is collateralized by the locomotives and bi-level cars. The Authority retains the right to use the locomotives and bi-level cars and is liable for maintenance and all other associated obligations. The Authority cannot lease or sell the locomotives and bi-level cars without the prior written consent of the counterparty to the debt obligation. In addition, the Authority is liable for any costs which reduce the other party's return on the financing.

Under the agreement the Authority agreed to repay the obligation and interest thereon over twelve years. The loan balances will also increase in certain periods.

#### 4. Long-term debt (cont'd)

Contract number	Maximum loan	Average interest rate %	Balance at December 31, 1998	Balance at December 31, 1997 (unaudited)	Collateral
1	US\$ 14,487	7.27536	US\$ 14,487	US\$ 14,478	Bi-level cabs and coaches
2	108,926	7.26143	108,809	108,166	Bi-level cabs and coaches
3	23,794	7.38419	23,553	23,690	Locomotives
4	70,319	7.28488	69,809	69,451	Bi-level cabs and coaches
5	60,702	7.36798	58,936	58,560	Bi-level coaches
6	41,926	7.39563	41,753	41,426	Locomotives
US\$ 320,154			US\$ 317,347	US\$ 315,771	
Translated to Canadian dollars at			1.5305	1.4291	
			Cdn\$ 485,700	Cdn\$ 451,268	
Deferred foreign exchange, (loss) net of accumulated amortization of \$778 (1997—\$232)			(45,808)	(14,568)	
			Cdn\$ 439,892	Cdn\$ 436,700	

The annual payments (borrowings) in US dollars the Authority is required to make are as follows:

	Principal repay (borrow)	Interest	Total
1999	US\$ (918)	US\$ 23,237	US\$ 22,319
2000	296	23,259	23,555
2001	707	23,218	23,925
2002	1,799	23,137	24,936
2003	2,653	22,986	25,639
2004	5,188	22,788	27,976
2005	6,215	22,301	28,516
2006 "Balloon Payment"	301,407	21,747	323,154
	US\$ 317,347	US\$ 182,673	US\$ 500,020

Pursuant to a memorandum of understanding dated December 1993, and affirmed by the Deputy Minister of Transportation in a letter dated July 9, 1997, between the Province and the Authority, the Province will provide funds to the Authority in a timely manner and in the amounts necessary to enable the Authority to satisfy the above debt obligation and interest when payments fall due.

#### 5. Operating and maintenance agreements

A significant amount of the services provided by the Authority are operated and maintained by outside parties using rolling stock owned by the Authority. These services are governed by the agreements with The Canadian National Railway Company, St. Lawrence and Hudson Railway Company Limited and Bombardier Inc.

## 6. Sundry revenue

	1998	1997 (unaudited)
Interest income	\$ 2,570	\$ 708
Rentals—rolling stock	96	1,720
Rentals—space	2,506	2,320
Advertising revenue	425	377
Commissions—ticket sales	505	485
Distribution from Transportation and Railroad Assurance Company	210	695
Other	565	563
	<u>\$ 6,877</u>	<u>\$ 6,868</u>

## 7. Commitments

### Leases

Minimum annual lease payments in each of the next five years ended March 31, the Authority's fiscal year-end and thereafter are as follows:

1999	\$ 2,963
2000	2,553
2001	2,362
2002	2,312
2003	2,298
Thereafter	23,770
	<u>\$ 36,258</u>

The Authority has also committed to approximately \$32,150 for various capital asset additions over the next year.

## 8. Pensions

The Authority provides pension benefits for substantially all of its permanent employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario. The Authority has expensed \$2,276 for pension for the year ended December 31, 1998 (1997—\$3,129).

## 9. Contract expiration

For the year ended December 31, 1997, the Authority incurred approximately \$18,659 in charges related to the expiration of a contract for rail equipment maintenance services.

## 10. Contingencies

- (a) A claim has been made against the Authority by a contractor in connection with work performed. Management has reviewed this claim and believes it cannot be fully substantiated and that the disposition of this matter will not materially exceed the amount provided for in the financial statements.
- (b) There has been an ongoing dispute between the City of Toronto (the City) and the Toronto Terminals Railway Company Limited (the TTR) relating to the rent for lands under Union Station dating back to 1968. The Authority pays a pro rata share of approximately 38% of the rent. The rent is determined every 21 years. In 1996, an arbitration panel issued a decision respecting the rent to be paid from 1968 to 1989. An appeal to Divisional Court was dismissed but the City has

**10. Contingencies (cont'd)**

- (b) (cont'd) filed an application for leave to appeal with the Court of Appeal of Ontario. In addition, the City and the TTR must still negotiate the rent for the period from 1989 to 2010. The outcome of this matter cannot be determined at this time. However, management believes that the disposition of this matter will not materially exceed the amount provided for in the financial statements.
- (c) The Authority has purchased insurance to cover claims in excess of \$5,000 on any one rail accident. The incident at Union Station on November 19, 1997 is the subject of various claims including two potential class proceedings. The outcome of these claims cannot be determined at this time. However, management believes that the disposition of these matters will not materially exceed the amount provided for in the financial statements. Effective June 1998, the Authority's insurance coverage was revised to cover claims in excess of \$1,000.
- (d) The Authority has also been named in two claims for personal injury relating to GO service in the amount of \$18,800. The amount of the loss, if any, cannot be determined at this time.

**11. Uncertainty due to the Year 2000 Issue**


The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Authority's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Authority, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

**12. Funding surplus**

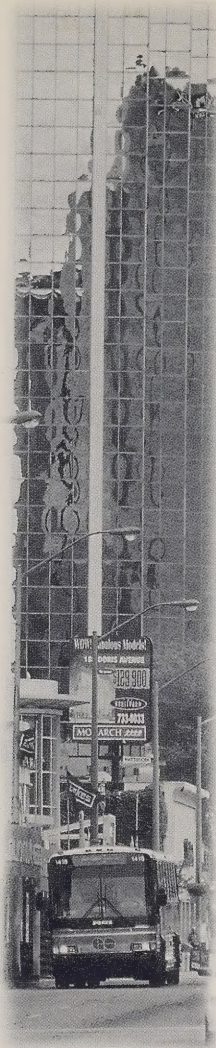
For the year ended December 31, 1998, the surplus comprises the excess of the operating subsidies over the loss from operations before amortization of capital assets, interest on long-term debt and amortization of deferred foreign exchange gain (loss).

On November 6, 1998, Members of the Board approved a resolution that \$10 million of the surplus generated for the year ended December 31, 1998 be remitted to the City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton-Wentworth and that the balance be retained by the Authority. The ultimate disposition of the funding surplus is determined under the terms of the Services Improvement Act, which amended the Toronto Area Transit Operating Authority Act.

**13. Subsequent event—Province of Ontario funding for GTTA (see note 1)**

On March 31, 1999, the Authority received \$106,500 from the Province of Ontario via the GTSB to assist with future capital investments. The funds are from the Municipal Capital and Operating Restructuring Fund (MCORF) and will be transferred to the GTTA and will be utilized as determined by the GTSB. 





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